

ECONOMIC DEVELOPMENT, IOWA DEPARTMENT OF[261]

Adopted and Filed Emergency

Pursuant to the authority of Iowa Code sections 15.104 and 15.106, the Iowa Department of Economic Development adopts amendments to Chapter 27, "Neighborhood Stabilization Program," Iowa Administrative Code.

The Neighborhood Stabilization Program is a 100 percent federally funded program whose intent is to address the economic housing crisis. The initial funding was created by the Housing and Economic Recovery Act in 2008. The State of Iowa received \$21,607,197 from the first allocation. The primary goal of the Neighborhood Stabilization Program is to put foreclosed or abandoned residential properties back into productive use. The program also allows for demolition of blighted properties that are no longer productive or safe.

These amendments address changes made to the Neighborhood Stabilization Program in the third allocation of funding (NSP3). The State of Iowa will be receiving \$5 million from the third allocation. The State of Iowa has amended the application pool of eligible subrecipients based upon the aggressive expenditure deadlines mandated for NSP3 and new eligibility criteria provided by the U.S. Department of Housing and Urban Development (HUD). Also, the NSP3 Notice of Funds Availability redefined some eligible activities and implemented activity expenditure limits.

In compliance with Iowa Code section 17A.4(3), the Department finds that notice and public participation are impracticable because of the immediate need for the amendments to implement new funding guidelines for the federal Neighborhood Stabilization Program. The federal regulations governing the program require that 50 percent of the funding be expended by March 1, 2013, and that all funds be expended by March 1, 2014. In order to meet these deadlines, communities will need to begin their activities as soon as possible. The application process consisted of a Substantial Amendment to the Consolidated Plan submitted to HUD for review. Prior to submission, the Substantial Amendment was posted on the IDED Web site to request public comment for more than 15 days.

The Department also finds, pursuant to Iowa Code section 17A.5(2)"b"(2), that the normal effective date of these amendments should be waived and the amendments should be made effective upon filing with the Administrative Rules Coordinator on April 22, 2011, as they confer a benefit upon cities that apply for the NSP3 funding.

These amendments are also published herein under Notice of Intended Action as **ARC 9503B** to allow for public comment. This emergency filing permits the Department to implement new funding guidelines for the federal Neighborhood Stabilization Program.

The Iowa Economic Development Board adopted these amendments on April 21, 2011.

As required under Executive Order Number 71, the jobs impact statement for this rule making is as follows:

- There will be no cost incurred for entities implementing and complying with this rule making.
- The rule making will positively impact job creation in the private sector. The primary activities include acquisition, rehabilitation, demolition and redevelopment. Throughout Iowa these activities are primarily performed on an open bid process. Any cleared contractor may bid on the projects.
- The categories of jobs and employment opportunities as a result of this rule making will be to the real estate, construction, development, suppliers, skilled trades and finance/insurance fields. An estimated 60-70 residential units will be assisted with NSP3, which could result in the service or supplies of over 200 individuals/companies. Eligible communities for NSP3 funding: Des Moines, Waterloo, Sioux City, Council Bluffs, Davenport, Burlington, Perry, Cedar Rapids, Boone, Guthrie Center and Shenandoah.

- The rule making is unlikely to incur additional costs to the employer on a per-employee basis.

These amendments are intended to implement Iowa Code chapter 15.

These amendments became effective April 22, 2011.

The following amendments are adopted.

ITEM 1. Rescind the definitions of “Entitlement community” and “Non-entitlement community” in rule **261—27.2(15)**.

ITEM 2. Amend subrule 27.3(1) as follows:

27.3(1) Eligible applicants. Eligible applicants are those communities within the state with the greatest need, as determined by IDED using the methodology specified by HUD, which would include the following factors: areas with the greatest number and percentage of home foreclosures, areas with the highest number and percentage of homes financed by a subprime mortgage-related loan, and areas likely to face a significant rise in the rate of home foreclosures with the highest number and percentage of homes in default or delinquency.

ITEM 3. Amend rule 261—27.4(15) as follows:

261—27.4(15) Allocation of funding. ~~IDED will allocate the available federal funding between the large entitlement communities and the smaller non-entitlement communities based on measurable statistics relating to the three factors required by federal law relating to the determination of need as described in 27.3(1). After that division of funding has been determined, IDED will determine an amount to be allocated to each of the entitlement communities based upon the need factors for each of the respective communities. If allocation results in an amount of funding to a community or communities that is too small to result in an effective program, IDED may reallocate those funds to the other entitlement communities according to the percentages calculated based on the need factors. The funding available to the smaller non-entitlement communities will be distributed on a competitive basis, upon receipt and review of applications from each community. The maximum award to a non-entitlement community will be \$1 million.~~

ITEM 4. Amend rule 261—27.5(15) as follows:

261—27.5(15) Application procedures.

27.5(1) Application procedures for entitlement communities. ~~Eligible entitlement communities shall submit to IDED a neighborhood stabilization plan that provides details on their proposed activities, includes a project budget, and demonstrates compliance with federal rules and regulations governing the program.~~

27.5(2) Application procedures for non-entitlement communities. ~~Non-entitlement communities Communities requesting funds must complete and submit an application similar in content to the plan submitted by the entitlement communities.~~

27.5(3) Application/plan contents. ~~The plan submitted by the entitlement communities, and the application submitted by the non-entitlement communities, which shall include at least the following information:~~

- ~~a. 1.~~ General project description;
- ~~b. 2.~~ Budget for all activities;
- ~~c. 3.~~ Projected start and end dates;
- ~~d. 4.~~ Demonstration of how the project will meet all federal requirements, including the requirements to benefit households with incomes of less than 120 percent of area median income and that at least 25 percent of the funding will benefit households with incomes of less than 50 percent of area median income;
- ~~e. 5.~~ Targeted geographical area of the community for the proposed activities;
- ~~f. 6.~~ Additional detail on each of the separate proposed activities.

ITEM 5. Amend rule 261—27.6(15) as follows:

261—27.6(15) Plan and application review process.

27.6(1) Entitlement communities. ~~IDED will review each plan from an entitlement community eligible applicants to ensure that the proposed activities are eligible activities and that the plan as proposed is in conformance with federal law and regulations. Plans that meet both tests will be~~

~~approved.~~ Applications will be reviewed on a competitive basis. Each application will be reviewed, rated, and ranked by an IDED review committee on the following factors:

1. Need for assistance;
2. Impact of the proposed activities;
3. Degree of targeting of the activities within the community;
4. Timeliness of the proposed project;
5. Degree to which green development concepts are incorporated into the proposal.

~~27.6(2) Non-entitlement communities.~~ Applications from non-entitlement communities will be reviewed on a competitive basis. Each application will be reviewed, rated, and ranked by an IDED review committee on the following factors:

- ~~a. Need for assistance;~~
- ~~b. Impact of the proposed activities;~~
- ~~c. Degree of targeting of the activities within the community;~~
- ~~d. Timeliness of the proposed project;~~
- ~~e. Degree to which green development concepts are incorporated into the proposal.~~

ITEM 6. Amend rule 261—27.7(15) as follows:

261—27.7(15) Award process. Upon award decisions, each community that submitted a ~~plan or~~ an application will be notified in writing of the department's decision. Successful applicants will be required to execute a contract with IDED, which will include the proposed activities and budget, the terms of fund disbursement, the reporting requirements, and the federal and state compliance requirements.

ITEM 7. Amend subrule 27.8(6) as follows:

27.8(6) Compliance with federal, state and local laws and regulations. Recipients shall comply with all applicable laws and rules, including the applicable federal CDBG, ~~and~~ HERA and Frank-Dodd regulations, any provisions of the Iowa Code governing activities performed under this program, and with applicable local regulations.

[Filed Emergency 4/22/11, effective 4/22/11]

[Published 5/18/11]

EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 5/18/11.